

MEMORANDUM

To: Mayors, County Commission Chairs, RC Executive Directors, Other Interested Parties

From: Brian Williamson

Date: February 1, 2010

Subject: CDBG 2010 Annual Competition--Water/Sewer Connections

With both General Conditions for 2009 CDBG Recipients and provisions of the 2010 CDBG Applicants' Manual, DCA is implementing HUD requirements regarding the eligibility of the use of CDBG funds for payment of water/sewer connections on private property. As described below, the Department believes these requirements can largely be met through careful allocation of your existing CDBG match or leverage amounts. The allocation methodology is described below.

As always, using CDBG funds to pay for water/sewer connections on private property owned or occupied by low- to moderate- income (LMI) households is an eligible CDBG expense. HUD, however, requires that other funds be used to pay for non-LMI water/sewer connections. This therefore requires that enough other funds be dedicated to the appropriate budget line items to cover the cost of the non-LMI connections. At the application stage, applicants should estimate the total number of connections needed (and septic tank closures, if applicable) and breakdown the total into LMI and non-LMI connections in order to establish an estimate of the cost of non-LMI connections. This should be done on form DCA 5. The non-LMI connections should be budgeted under the match or leverage budget on forms DCA 7 and DCA 8 rather than on the CDBG budget on forms DCA 7 and DCA 8. A separate line item is not required for non-LMI connections. Applicants will need to ensure, however, that sufficient funds are budgeted in the water/sewer match or leverage line item (HUD Code 03J) to cover the cost of non-LMI connections.

As an example, if a total of 10 non-LMI connections are estimated at a cost of \$500 per connection, a minimum of \$5,000 dollars must be budgeted in the water/sewer match or leverage line item toward the cost of the total water/sewer project. Because engineering costs may be included in the water/sewer match or leverage line item (HUD Code 03J), engineering costs may also be counted toward the cost of the non-LMI connections. By using your match or leverage funds for the construction of the water/sewer facilities and including the match or leverage as part of the CDBG construction contract, the Department will count those amounts toward the non-LMI connections.

Note that the cost of the non-LMI connections (\$5,000 in the example above) does not increase the normal CDBG match requirement. If the cost of non-LMI connections exceeds the required match, these costs must be included as part of the leverage budget. In such cases, these leverage amounts will be considered for leverage bonus points during the competition. Surveys may be used to establish the number of LMI and non-LMI connections.

Please contact Steed Robinson at <u>steed.robinson@dca.ga.gov</u> or (404) 679-3168 for any assistance regarding any questions concerning this matter.

Thank you.



